KIM IL SUNG

ON SOME THEORETICAL PROBLEMS OF THE SOCIALIST ECONOMY

PYONGYANG, KOREA
1969

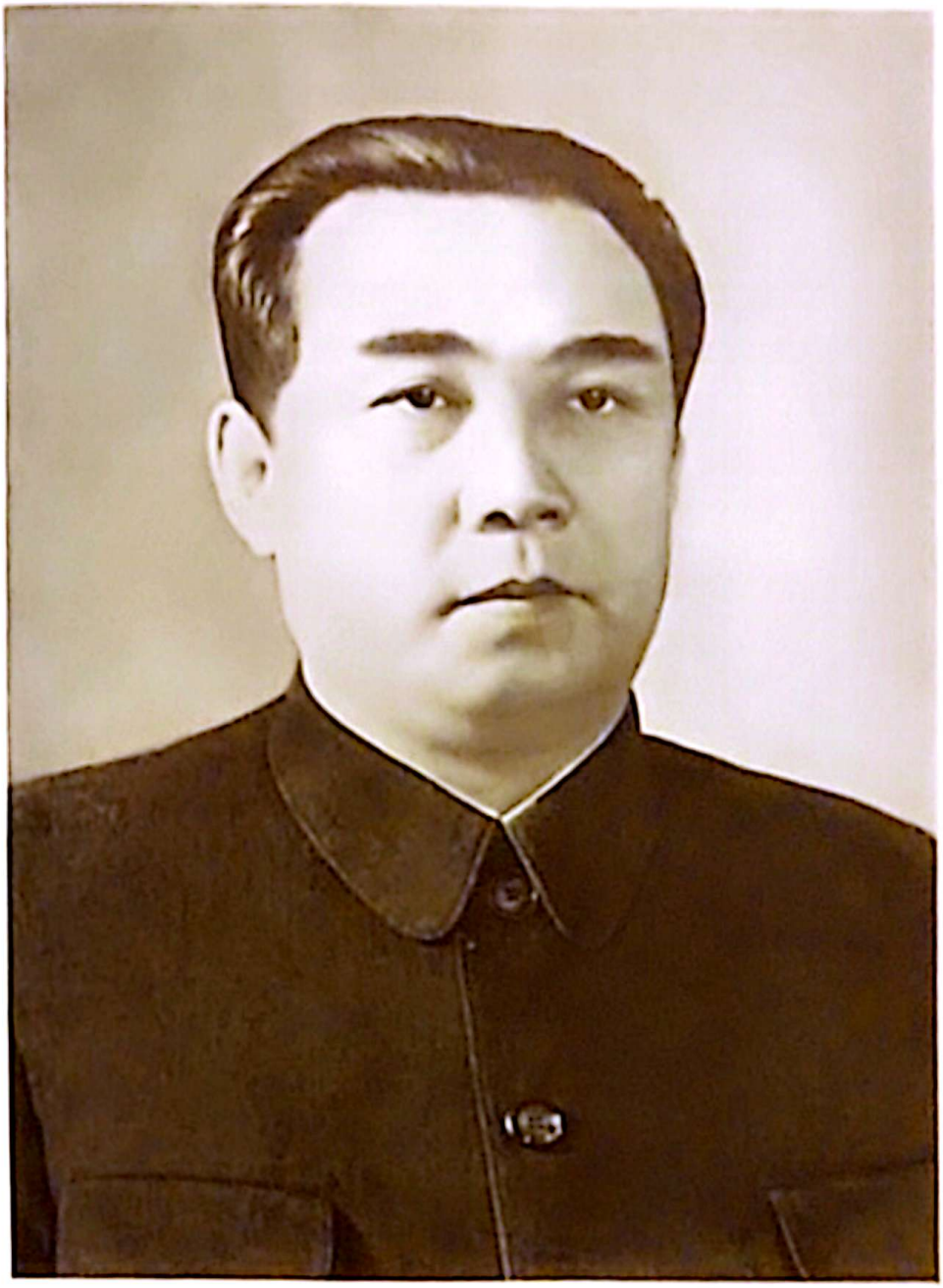
WORKERS OF THE WHOLE WORLD, UNITE!

KIM IL SUNG

ON SOME THEORETICAL PROBLEMS OF THE SOCIALIST ECONOMY

Answers to the Questions Raised by Scientific and Educational Workers
March 1, 1969

Foreign Languages Publishing House
Pyongyang, Korea
1969



CONTENTS

1. PROBLEM OF THE CORRELATION BETWEEN THE SCALE OF THE ECONOMY AND THE RATE OF DEVELOPMENT OF PRODUCTION IN SOCIALIST SOCIETY 1

2. PROBLEMS OF THE MEANS OF PRODUCTION IN THE FORM OF COMMODITY AND THE USE OF THE LAW OF VALUE IN SOCIALIST SOCIETY . . 12

3. PROBLEMS OF THE PEASANT MARKET IN SOCIALIST SOCIETY AND OF THE WAY OF ABOLISHING IT 27

In April 1968 I received questions from scholars, through the Science and Education Department of the Party Central Committee, concerning some problems of socialist economic theory. But, as the situation in the country was tense and we had the celebrations of the 20th anniversary of the foundation of the Republic last year, I had little time to spare for a prompt answer to the questions. I was told that even of late some leading economic functionaries and scholars have no clear idea of these problems and are arguing about them. Therefore, I am now going to give my opinion about them.

1. PROBLEM OF THE CORRELATION BETWEEN THE SCALE OF THE ECONOMY AND THE RATE OF DEVELOPMENT OF PRODUCTION IN SOCIALIST SOCIETY

Of late, a theory is in vogue among certain economists that though the economy grows without interruption in socialist society, its rate of growth cannot exceed 4-5 or 6-7 per cent a year when the economy reaches a certain stage of development. I was told there are people also among the leading workers of our state economic bodies, who argue that should our industrial output increase even only by 6-7 per cent a year, that would be high enough, inas-

much as in capitalist countries production goes up barely by 2-3 per cent a year.

They found such an argument on the assumption that the reserves for production growth diminish in the period of reconstruction as compared with the period of rehabilitation and that, accordingly, the more the economy develops and its scale grows, the less becomes the possibility of increasing production. In other words, they contend that the further industry advances, the more reduce the reserves and the slower becomes the rate of production growth. In our country, too, they say, there were plenty of reserves in the postwar rehabilitation period, but today when the basis of socialist industrialization has been laid and we are in the period of an all-out technical reconstruction of the national economy, production cannot be multiplied at an ever high rate, for there exist no much reserves.

People who think in this way are those who are either not aware of the true advantages of the socialist economic system or not willing to see them.

Socialist society has unlimited potentialities to incessantly develop the economy at such a high rate as is inconceivable in capitalist society, and the further socialist construction advances and the stronger the economic basis grows, the greater become these potentialities.

In capitalist society production cannot steadily grow, the process of reproduction being periodically interrupted and much social labour wasted owing to the overproduction crises. In socialist society, however, all the labour resources and natural wealth

of the country can be most reasonably made use of, and production can be incessantly raised according to plan. This possibility of production growth will ever increase according as the equilibrium among the branches of the national economy is rationally preserved and the country's economy is kept in better shape with the strengthening of the economy-organizing functions of the state of the proletarian dictatorship and the rise of the level of economic management of the functionaries. Since the socialist state controls co-ordinately and realizes production and distribution, accumulation and consumption according to plan, it can allocate a large amount of funds to accumulation and carry on socialist extended reproduction steadily on a big scale by using the funds most reasonably.

And the production relations of socialism open a wide scope for an unrestricted development of the productive forces, and the socialist state, by making use of this possibility, can rapidly develop technology according to plan. It is a law-governed process of building socialism and communism that the outmoded technique be replaced by a new technique and the new one by a yet newer one, that manual labour be mechanized, mechanization develop to semi-automation, and semi-automation on to automation. It is a palpable truth that in socialist society with the rapid development of technology, labour productivity increases constantly and production develops at a high rate.

In socialist society, high revolutionary zeal of the people is the decisive factor which energetically eggs

the productive forces on to pullulate. The essential excellence of the socialist system lies in the fact that the working people, freed from exploitation and oppression, work with conscious enthusiasm and creative initiative for the country and the people, for society and the collective, as well as their own welfare. In capitalist society the working people are not interested in the development of production and technology at all, for they work of necessity under the menace of unemployment and hunger. But in socialist society the working people zealously work for the development of production, because they are deeply aware that the fruits of their labour belong to themselves, to their people and their country. The more the Party and state of the proletariat, in conformity to their proper functions, strengthen the ideological revolution among the working people and gradually eliminate the survivals of old ideologies from their minds, the more the working people will devote their talents and stamina to the development of socialist production. In this way, continuous improvements and innovations will be brought about in all fields of economic management, organization of production and labour, and development of technology.

All this testifies to the sheer fallacy of the theory that in socialist society the reserves for increased production diminish gradually and production cannot be kept rising at a high rate as the economy develops and its scale expands.

Practical experiences in building socialism in our country also irrefutably prove that such a theory is wrong.

To begin with, let me tell you what happened when we were tackling the Five-Year Plan. The economic life of our country at that time was very hard in general, although our Party members and working people had rehabilitated the ravaged economy in the main and made the living of the people stable by successfully carrying out the Three-Year National Economic Plan. Moreover, the enemies at home and abroad were running amuck to encroach upon the gains of our revolution and ruin the constructive work of our people. Under such circumstances we were confronted with the urgent task of quickly laying the foundation of industrialization to advance the economy of the country and improve the people's livelihood, and this required large quantities of rolled steel.

But at that time our country had only one blooming mill and its rated capacity was no more than 60,000 tons. Sixty thousand tons of rolled steel were, however, far from enough, for we had to build town and country, erect factories, and turn out more machines.

In all the previous arduous revolutionary struggles our Party had trusted the working class and, leaning upon their strength, broke through bottlenecks and difficulties. And this time, too, our Party decided to go to the working class, consult them and pull through the existing difficulties.

Entrusted by the Political Committee of the Party Central Committee, we went to the Kangson Steel Works. When we asked the leading personnel of that steel works if they could not increase the

output of rolled steel to 90,000 tons, some of them, shaking their heads, said that it would be difficult. So, we called the workers together and told them: We have barely managed to rehabilitate the ravaged economy, and now the factionalists have reared their heads against the Party and the great-power chauvinists put pressure on us, and the U.S. imperialists and the Syngman Rhee puppet clique are getting frantic with "march north" clamours. But can all that be any excuse for us to get disheartened and yield to the grave difficulties lying in the way of the cause of revolution and construction? No, that won't do. We only trust you working class, the main force of our revolution, and we have no one but you to rely on. Then, to tide over these grave difficulties facing our Party, you must be in high spirits and work hard to produce plenty and construct well, and thus drive the economic construction more vigorously, isn't that so?

We conducted our political work in this way, and the workers of Kangson came out with a resolution to produce 90,000 tons of rolled steel. Roused to activity, they strove hard improving the existing machines and equipment and undoing entangled knots, with the result that 120,000 tons of rolled steel was turned out instead of 90,000 that year. This steel works could raise the capacity of the bloomery to the present level of 450,000 tons, that is, nearly 8 times the rated capacity.

Not only in the Kangson Steel Works but in all fields of the national economy and all factories and enterprises, the old rated capacities were scrapped

and great innovations were made, miracles wrought day after day to startle the world, and the economy of our country developed at a very high rate. Thus, the Five-Year Plan envisaging a 2.6-fold increase in total industrial output value was carried out in two years and a half, and the production plan for major manufactured goods was also fulfilled or overfulfilled on all indices of products in four years.

During the last 7-8 years since the fulfilment of the Five-Year Plan, the tasks of the overall technical revolution have been vigorously carried forward in our country with the result that a number of new fields of industry have been opened, the technical equipment of industry has been radically improved, and the scale of production expanded many times. If the "theory" of some people that with the expansion of the scale of production the rate of its growth decreases, were right, it would have been impossible for our country to keep up the high tempo of production growth any longer in the period that followed the fulfilment of the Five-Year Plan. But in the Seven-Year Plan period, too, the economy has developed continually at a high speed, though our country appropriated a large part of accumulation additionally for the defence upbuilding in view of the more pronounced aggressive manoeuvres of the U.S. imperialists. Above all, the National Economic Plan for 1967, the plan for the first year in implementing the decision of the Party Conference on building the economy and defence in parallel, was a tight plan envisaging a 12.8 per cent increase in total industrial output value over the previous year. But in

1967 we actually overfulfilled the plan far and raised industrial output as much as 17 per cent in a year. Had it not been for the rare flood damage that year, industrial output would have risen more than 20 per cent. This is to be ascribed to the fact that our Party intensified the ideological revolution among the working people, thereby arousing their conscious enthusiasm and waging a resolute struggle against passivism, conservatism and all other sorts of old ideas that hampered our forward movement.

Take the Songhung Mine for example.

In 1967 when the managing workers of the Songhung Mine came up with a plan of very low target, the Cabinet persuaded them to raise it a little higher. Yet, even this was too low to meet the demand of the Party. So the Party Central Committee, with a view to conducting political work among the workers of the Songhung Mine, summoned the cadres of the mine, platoon leaders and above, and held a meeting. There, we told them: To carry out successfully the line of building the economy and defence in parallel set forth by the Party Conference, the Songhung Mine will have to extract more nonferrous metal. Thereupon, they pledged themselves to mine more nonferrous metal than the target set by the Cabinet. In the end, they produced nearly twice as much as they had promised at first.

Let us take another example.

Functionaries in the field of the engineering industry said that they had no reserve, so we went

to the Ryongsong Machine Plant in 1967 and kindled the flames of innovation. The workers there all rose and fulfilled the keyed-up plan of the year, including the plan for extra production, by October 10, two months and 20 days ahead of schedule.

Great reserves were also found in the course of the struggle to carry out last year's national economic plan.

Under the circumstances of frantic war clamours by the U.S. imperialists following the "Pueblo" incident, the Party Central Committee addressed an appeal last year to the factories and enterprises in all fields of the national economy to fulfil ahead of schedule all their assignments of production and construction and produce more with the spared labour power, materials and equipment.

This revolutionary call of the Party found a response in all factories and enterprises, and many of them, out of a burning desire to drive out the U.S. imperialists from our soil and unify the country at the earliest possible date, asked for more assignments and excellently carried out their resolve.

All this shows that we can develop the economy as fast as we want, no matter how big its scale is, if we, by conducting political work well in accordance with the line set forth by our Party, enhance the political consciousness of the masses, arouse their revolutionary zeal and constantly improve techniques.

The theory that should industry reach a certain stage of development, the reserves would diminish and a high rate of growth could not be ensured in industrial production, has nothing to do with the

Marxist-Leninist theory of economy. The "theory" that large-scale economy could not develop rapidly is but a sophistry brought forward by some people to justify the fact that their technical progress is slow and their economy stagnant because they, talking about "liberalization" and "democratic development," did not educate their working people and, as a result, the latter are ideologically so slackened as to fiddle about and loaf on the job.

Referring to the immediate tasks of Soviet power after the victory of the October Socialist Revolution, Lenin put forward the famous proposition: Communism is Soviet power plus the electrification of the whole country. This proposition of Lenin's, though simple, has a profound meaning. I think it is of great importance for building socialism and communism that we have a correct understanding of this proposition and translate it into practice. What is meant by the Soviet power mentioned by Lenin? It means no less than the dictatorship of the proletariat. It, therefore, means that the state of the working class should continue the class struggle and carry out the ideological and cultural revolutions to remould the consciousness of the people and enhance their technical and cultural level, and accomplish the task of *working-classizing* and revolutionizing the whole society. By electrification it is meant that technology should be developed to such a high level as to be able to make all the production processes automatic and the material-production basis of society be greatly consolidated. To sum up, this proposition of Lenin's teaches that communism will be realized only when

the dictatorship of the proletariat is strengthened to accomplish the ideological and cultural revolutions and to revolutionize and *working-classize* the whole society and, at the same time, when the technical revolution is accomplished to lay a solid material and technical basis for a very high level of productive forces.

If we neglect any one of the two, the dictatorship of the proletariat and the technical revolution alluded to by Lenin, we can neither steadily develop the socialist economy at a high tempo nor build a communist society. We should therefore strengthen the dictatorship of the proletariat and drive the technical revolution dynamically in order to build a communist society. As Lenin passed away before he himself could build communism, we must give a correct interpretation to his proposition and carry it into effect. Some people, however, refuse to correctly understand and put into effect this proposition of Lenin's. We must categorically oppose Right opportunism in the field of economic theory in order to accelerate socialist construction at a higher rate. If we do not take issue with the Right deviation in the economic field, weaken the proletarian dictatorship, do not conduct political work, foster individual selfishness among the people, and try to make the people move merely with money, we cannot call forth their collective heroism and heuristic initiative and, accordingly, we cannot successfully carry out the tasks either of technical revolution or of economic construction. If we tail after the Right opportunist theory and fail to develop the economy rapidly, we may find it difficult even to

provide everybody with a job and feed him. Then, how can we who have taken over very backward productive forces from the old society, catch up with the advanced countries and build a communist society where each works according to his ability and each receives according to his needs? We must reject the Right opportunist theory, definitely defend and carry through to the end the revolutionary ideas of our Party, the theory of economic construction of our Party, and thus keep on the grand march of Chollima in building socialism.

2. PROBLEMS OF THE MEANS OF PRODUCTION IN THE FORM OF COMMODITY AND THE USE OF THE LAW OF VALUE IN SOCIALIST SOCIETY

I have heard that some economists are arguing about the questions of whether or not the means of production is a commodity in socialist society and whether or not the law of value operates in the domain of its production and circulation.

I think these questions should not be handled in the same breath. In socialist society the means of production can sometimes be a commodity and sometimes not, as the case may be. So, the law of value will operate when it is a commodity, and will not when it is not. Because the law of value is a law of commodity production.

Then, when is the means of production a commodity and when not? To find the right solution to this

question, I deem it necessary, first of all, to have a clear idea of the properties of commodity and the origin of commodity production.

Commodity is a thing produced not for one's own consumption but for sale. In other words, not all products are commodities, but things produced for the purpose of exchange are commodities. As is clear from this, for a product to be a commodity, firstly, there must be the social division of labour through which different kinds of goods are produced; secondly, there must be the seller and the buyer—the man who gives up the right to possess a thing by selling it and the man who buys and acquires the right to possess it. That is to say, commodity production presupposes the social division of labour and the differentiation of ownership of produce. Therefore, where there is no social division of labour and ownership is not differentiated but remains in a single form, there can be no commodity production.

The reason why the commodity-money relations exist in socialist society should also be explained by the fact that there exist the social division of labour and different forms of ownership of produce. As everybody knows, in socialist society the division of labour not only exists but develops every day. As for the ownership, too, there exist the state and the co-operative ownership of the means of production and the private ownership of consumer goods as well, though in the course of the socialist revolution private ownership is abolished and different forms of economy that existed in the early part of the transition period are gradually fused into a single, socialist form of

economy. Besides, the socialist states must carry on foreign trade under the circumstances that communism has not yet triumphed on a world-wide scale and there exist frontiers.

All these things are conditions that give rise to commodity production in socialist society. It goes without saying that in socialist society commodity production is a production of goods without the capitalist and, therefore, the law of value operates not blindly as in capitalist society but within a limited sweep, and the state uses it in a planned way as an economic lever for effective management of the economy. Later, when the transition period is over and co-operative property is turned into property of the entire people so that a unitary form of ownership is established, the produce of society, if foreign trade is not taken into consideration, will be called not by the name of commodity but simply called means of production and consumer goods or by some other names. Then, the law of value will also cease to operate. Needless to say, even then the social division of labour will continue to develop, but there will be no more commodity production.

Scholars, leading economic functionaries and many other people now commit Right or "Left" errors in both the theoretical domain and the economic management, because they have not fully understood whether the means of production is a commodity or not in socialist society. As a result, some fall into the Right tendency to manage the economy in a capitalist way, overrating the importance of commodity production and the law of value in the wake of the revi-

sionist theory while others commit the "ultra-Left" error of failing to streamline the enterprise management and causing a large wastage of means of production and labour power by totally ignoring commodity production and the role of the law of value in disregard of the transitional character of our society. A correct understanding of and dealing with this question is of weighty importance in socialist economic construction. After all, the question of utilizing the commodity-money relations is an important one which the state of the working class must properly settle in the period of transition from capitalism to socialism. Right or "Left" error in this question can bring forth a serious harm.

The data as to in what case the means of production is a commodity and in what case not in socialist society, should also be found in the differentiation of ownership. In socialist society the means of production, even when shifted to other places, is not a commodity as long as it does not change hands, and it is a commodity when it changes hands. From this derives an obvious conclusion as follows:

Firstly, when a means of production turned out in the state sector of ownership is transferred to co-operative ownership or vice versa, it is a commodity in either case and, therefore, the law of value operates here; secondly, a means of production which is exchanged within the bounds of co-operative ownership, between co-operative farms, between producers' co-operatives or between the former and the latter, is equally a commodity and here, too, the law of value operates; thirdly, in the case of export the means of

production is a commodity and it is dealt at the world market price or at the socialist market price. For instance, when countries like Indonesia and Cambodia ask our country for machine tools, the machine tools sold to these countries are commodities for which we should receive due prices. And when a Confederation of the North and the South, though not yet realized at the moment, is established in our country in accordance with our Party's proposal for national unification, and businessmen in South Korea ask us for machines and equipment, we will have to sell them. In that case the machines and equipment we shall sell them will be commodities, and here the law of value will be bound to come into consideration.

What, then, are the equipment, raw and other materials that are transferred between the state enterprises? They are not commodities. Because the means of production such as these are turned out on the basis of socialist co-operation in production, and even when they are turned over from one enterprise to another, they remain under the ownership of the socialist state, and such means of production are supplied not through free trade but in a planned way by the state according to the plan of equipment and material supply. When the state finds it necessary, it provides the enterprises with the means of production, even if the enterprises do not ask for them, just as it provides the army with weapons. The machines, equipment, raw and other materials transferred between the state enterprises, therefore, cannot be called commodities realized through the operation of the law of value.

Then, what shall we call these means of production transferred between the state enterprises, if not commodities, and what shall we say is being made use of, if not the operation of the law of value, in assessing the prices of the means of production when they are turned over, or in accounting their costs when produced? It would be right to say that the means of production which are transferred between the state enterprises according to the plans of equipment and material supply and of co-operative production are not commodities, but assume the form of commodity, and, accordingly, that in this case the law of value does not operate in substance as in the case of commodity production, but in form.

Namely, such means of production are not commodities in the proper sense of the word, but merely assume the form of commodity, and, accordingly, what is made use of here is not the operation of the law of value in the proper sense of the word, but the law of value in form; and in the case of the production and exchange of the means of production, the form of value is made use of simply as an instrument of economic accounting, and not the value itself.

Then, how is it going to be explained that the means of production which are transferred between the state enterprises, are not commodities but merely assume the form of commodity? It is so because the state enterprises are relatively independent in using and managing the means of production and in running the economy, as if they were under different ownership, though they are all under one and the same ownership of the state. Though all the business-

accounting enterprises in the state sector are owned by the state, they separately use the means of production received from other enterprises according to the unitary plan of the state, and must net a certain profit for the state after they recover the costs spent on their products.

Although such business-accounting state enterprises are under the same ownership, independence in management of each of them gives the impression that the means of production transferred between them were commodities like those handed over to different ownership. Thus, when an enterprise delivers means of production to another, it does not give them free or dirt-cheap at random, but hands them over at prices fixed by the state uniformly according to the expenditure of socially necessary labour on the principle of equivalent compensation, though they are business-accounting enterprises in the state sector all alike. Though equally state-owned, the enterprises have to be particular about things of their own and of others, and transactions in the means of production have to be conducted on a strict accounting basis.

Why, then, should the enterprises within the state sector be granted independence in management, and why should the means of production be delivered and received by them with strict accounting on the principle of equivalence when it is no commodity? That has something to do with the specific feature of socialist society which is a transitional one. In socialist society the productive forces have not yet developed to such an extent as each works according to his ability and each receives according to his needs.

And not all people possess so high a degree of collectivist spirit as to hold dear and take responsible care of state properties like their own. In not a few cases, even those who are educated enough do not care so much about the business of other state bodies or enterprises as about their own business, nor do they devote themselves to it, to say nothing of those who still harbour such old ideological debris as boring into the interests of the state or other organs and enterprises, placing the narrow interests of their own organs and localities before everything, being stodgily departmentalized and parochialized. Further, under socialism labour has become, of course, an honorable and worthwhile thing, but not yet life's prime requirement as in communist society. Precisely all these things require that under socialism equivalent values be strictly accounted in transactions between the enterprises, though they are all alike state-owned. If our society had a great affluence of goods and if the managing staffs and working people of all enterprises were free from selfishness, were concerned about all the state properties as about their own, and conducted all the state affairs as devotedly as their own, then there would be no need of casting accounts on an equivalent basis.

A proper use of the commodity form and the commercial form in the production and circulation of the means of production is of definite significance in methodically increasing the profits of enterprises and the accumulations of the state by eliminating the wastage of social labour and strengthening the save-and-spare regime. It is therefore necessary to make

a proper use of them in all branches of the national economy and at all enterprises.

Above all, efforts should be made to use properly the form of value in the field of manufacturing the means of production to strengthen the strict accounting system and the control by *won* over the use of raw and other materials as well as labour power and systematically lower the standard of material consumption per unit.

In the domain of circulation, too, the commercial form should be fully utilized, while good plans of equipment and material supply are mapped out, so as to do away with the wastage of machines, equipment, raw and other materials and use them in a rational way. When we set up the material supply agencies and saw to it that raw and other materials were bought and sold through the medium of the agencies, we aimed at ensuring their smooth supply.

Our economic functionaries, however, fail to do this properly. The textbook of political economy, too, simply says that the means of production is excluded from the sphere of commodity circulation and is supplied to enterprises according to plan, but it makes no mention whatever of how and in what form its supply is realized. The question of supply of means of production is all but left out from the textbook of political economy and, particularly, the question of purchase and sale of raw and other materials between the state enterprises is not even touched upon.

Such being the case, there have appeared many

shortcomings in the supply of materials. When securing raw and other materials, the enterprises take them without caring much about their prices, high or low. Moreover, it is not infrequent that valuable materials lie idle in heaps at some enterprises, while at other enterprises production is interrupted for want of the same materials.

True, this is partly owing to the defective plans of material supply mapped out by the State Planning Commission, but the issue rather lies in the ignorance of the fact that the supply of raw and other materials is also realized in the form of trade. That is to say, the supply of raw and other materials is realized in the form of commodity circulation, inasmuch as the form of selling and buying is adopted between the state enterprises, too. But this has been ignored. As a result, in case the planning organs map out erroneous plans for the supply of materials, nobody is to answer for the materials being kept idle or wasted, and the defect is detected nowhere.

To straighten out this question, it is necessary, first of all, to enhance the role of the material supply agencies. When the material supply agencies do their work well, they will not be besieged by crowds of people coming to procure materials and will be able to properly supply them, even if small in quantity, to the enterprises in need of them for effective use, and the enterprises, on their part, will stop receiving materials at random with no consideration whatever of whether they are necessary or not, only to keep them idle or waste them.

We must know that when means of production

such as machines, equipment, raw and other materials produced in factories and enterprises, while remaining under state ownership, are transferred between the enterprises, it assumes the form of commodity circulation. Then, here their prices will become an issue and so, if there sometimes happen to be defects in the plans, it will be possible to straighten them out in the course of actual supply.

Of course, in our society everything is produced, supplied, and consumed according to plan. Moreover, under the ownership of the entire people production, supply and consumption are completely planned. It is by no means an easy thing, however, to have everything correctly planned. We have been carrying on a planned economy for over 20 years and we have kept on emphasizing that the plans must be objective. But planning is still not quite in order.

The same is true of the plans of supply of raw and other materials. Some kinds of materials are left out of the plan and some unnecessary things are included in the plan for supply. Then, where should the defects be detected? They should be detected at the supply agencies. That is, they must be complemented and corrected in the course of selling and buying raw and other materials through the agencies.

Besides, even if a material supply plan has been all correctly drawn up, it cannot be executed when the supply work is not actually carried on properly. If the form of trade, that is, the form of selling and buying, is ignored in the supply of raw and other materials and if they are supplied simply according to plan, materials may be used at random and

squandered at the enterprises. Such practices can take place quite often so long as our functionaries and working people are not all communist.

It is therefore necessary to raise the role of the supply agencies and make the most of the form of commodity circulation in the supply of raw and other materials. Thus, things must be so arranged that if an enterprise should purchase some kinds of materials too much, it would not be able to buy other kinds, and if materials should be wasted, the business activities of the enterprise would be greatly affected. Only when such conditions are arranged in the supply of raw and other materials, will the functionaries of the enterprises come to closely check up the prices of materials and transport costs, value and take better care of materials, and make efforts to lower the standard of consumption per unit in the use of materials.

Now I should like to present my views on the question of making proper use of the law of value in the production and circulation of commodities.

Most important of all in the use of the law of value is to fix the prices of commodities properly. Prices should be assessed on the basis of correctly reckoning with the requirements of the basic economic law of socialism and the law of value.

First of all, the assessment of prices should be based correctly on the socially necessary labour contained in goods. If the fixing of prices is not based on the outlays of socially necessary labour, equilibrium of the prices cannot be maintained, nor can the socialist distribution be properly done, and the devel-

opment of social production can be unfavorably affected.

Let us take an example. Once I walked into a shop in Changsong county of North Pyongan Province, and I found there a metre of twisted-yarn fabric woven with 200 grammes of yarn priced three *won* and a thread-ball weighing 50 grammes 5.4 *won*. It meant that a thread-ball was priced twice as dear as a piece of cloth made of twisted yarn equivalent to four thread-balls, which was woven into fabrics and dyed. Indeed, it seems to me that much labour and fairly large production costs were needed to reel thread at a local industry factory, because it was poorly mechanized. But since thread is not reeled by the hand spinning-wheel, its cost cannot be larger than the cost of fabrics. And even if the production costs were so high, the price cannot be fixed without taking into account the expenditure of socially necessary labour, and it goes against reason to fix the price so preposterously.

Further, low prices should be assigned to the mass consumption goods when the prices are fixed. It is a matter of course, as I have mentioned above, that the values of commodities should be taken into account in assessing their prices. But this by no means signifies that the price of a commodity cannot be deviated from its value. The Party and the state of the working class should assign low prices to the mass consumption goods by actively deviating the prices of commodities from their values. That is to say, rice, cloths, footwear, mosquito nets, thread, matches, school things and other goods indispensable

for the people's material and cultural life should be cheap. This precisely means a proper use of the law of value, and this accords with the essential requirement of the socialist system to feed and dress all the working people evenly and to make them equally well-off.

Otherwise, if we price the mass consumption goods dear, we cannot fully reveal the excellence of the socialist system and can possibly cause inconveniences to the people's life. If, for example, the prices of fabrics such as vinalon mixtures much demanded by our people were set high, it would not be possible to make all the people dress decently. And if the prices of such school supplies as textbooks, pencils, notebooks and satchels were set high, children would not be duly educated despite the carrying out of compulsory education.

Nevertheless, there is a tendency among our functionaries to increase the state budgetary revenue by unwarrantably raising the prices of fabrics and other mass consumption goods. As a result, though we turn out such large quantities of fabrics as 20 metres per head of the population, the working people cannot afford to buy enough to dress their children well as the prices are high. No doubt, the major reason why not much fabrics go round to the people is that our country still fails to turn out various fabrics at low costs. But it should be clearly borne in mind that the improper stance of the functionaries towards securing the state budgetary revenue by means of raising the prices of cloths is also largely accountable for the small cloth supply to the people. Owing to

the erroneous act of the functionaries, the prices of fabrics have kept rising unreasonably over the past few years.

Unless our functionaries rectify such wrong ideas and attitude of work, livelihood of the people cannot be improved rapidly. In fact, it often happens that cloths do not sell because of their excessive prices and lie long on the counter and, at last, they have to be sold off at reduced prices. This, in the end, will not only be harmful to the people's livelihood but render it impossible to secure the state budgetary revenue.

Our Party and Government, therefore, fix definite rates of turnover levies and assign low prices to the mass consumption goods at least and, particularly, see to it that the goods for the children are priced so low that their production costs can be barely recovered, even if the state budgetary revenue could not be lifted. This principle should be further observed.

On the contrary, however, tobacco and drink, luxury goods, high-quality suit material and other things which are in limited supply as yet, should be priced higher than the mass consumption goods in order to adjust the demands for them. The charges for welfare facilities including the dwelling houses should also be fixed on the same principle as the prices of commodities. The rents on ordinarily-furnished one- or two-room flats, for example, should be cheap, but those on well-appointed dwellings with three or more rooms should be high because we do not have them in numbers. Of course, when our productive forces are developed high enough to fully ensure all the goods and facilities needed by the people,

it will become unnecessary to go to the trouble of taking such measures.

To fix the prices of commodities correctly, we must make them uniform. The unfair prices found so far in some cases have something to do with the failure on the part of the leading functionaries of the State Planning Commission, the Ministry of Finance and some other economic organs to exercise control over the assessment of prices on the goods produced by the local industry enterprises, leaving it at the disposal of the chairmen of the provincial people's committees on the plea that these goods were supposed to be of local significance. Therefore, just as the regional planning commissions have been set up to unify planning, regional price commissions should be established to unify the assessment of prices on the goods including those turned out by the local industry enterprises, and the economic organs such as the State Planning Commission, the Ministry of Finance and the Price Assessment Commission should strengthen their control over the assessment of prices.

3. PROBLEMS OF THE PEASANT MARKET IN SOCIALIST SOCIETY AND OF THE WAY OF ABOLISHING IT

The peasant market represents a form of trade whereby the peasants sell directly to the population at definite places part of the farm produce as well as animal products of the joint economy of co-operative farms and of the sideline of individual co-operative farmers. Though a form of trade in social-

ist society, the peasant market retains a lot of remains of capitalism. What, then, are the capitalist remains of the peasant market? They are to be found in the fact that in the peasant market prices are determined spontaneously according to demand and supply and, therefore, the law of value operates somewhat blindly. The state does not plan demand and supply or prices for the peasant market. Of course, the spontaneous character of the peasant market undergoes certain restrictions according as the state trade develops and the co-ordinating function of the state over the peasant market grows. Yet, at the stage of socialism, the peasant market cannot be completely done away with.

The word *Jang* (market—Tr.) engendered neither under the socialist system nor under the capitalist; it is a term left over from feudal society. *Jang* came into being as handicrafts developed in the feudal age. From of old the Koreans call a merchant *Jang-sa-gun* which means "a person who does business at *Jang*". Thus, *Jang* is a backward form of trade that engendered in feudal society. It is therefore preferable in principle that there be no peasant market, a backward form of trade, under the advanced, socialist system.

But, since there are the co-operative economy and individual sideline production under socialism, it is inevitable that the peasant market exists, and it is not half bad that it does. Some comrades seem to consider that the state should even purchase all the sideline products and supply them in a planned way, but they are wrong, and it is not practicable either.

As for the individual sideline products, the producers should be allowed to consume them and take the surplus to the market to sell or barter for other goods according to their wish. As for the animal products and industrial crops turned out by the joint economy of co-operative farms, the greater part should be purchased by the state, but part of them should be divided among the peasants. They may consume them, or sell them to the purchasing agents or take them to the peasant market for sale. The peasants should not be forced to sell them exclusively to the purchasing agents, but should be allowed to sell them to anybody they like That is the way to afford more facilities to the people's life.

The textbook of political economy does not give a good account of the peasant market. It only says that the peasant market produces unfavorable effect on the development of the joint economy and fosters the petty-bourgeois ideas and selfishness of the peasants. But no clear account is provided in it as to why the peasant market is necessary in socialist society, what role it plays and when it can disappear.

It is rather good than bad that the sideline production and the peasant market still exist in socialist society. We are not yet in a position to sufficiently supply, through the channels of the state, all that are necessary for the people's life, above all, sundry goods for daily use like brooms and calabash-ladles, and subsidiary provisions like meat, eggs, gingili and wild sesame. And under the circumstances, what is wrong if individuals produce these things on the side and sell them in the market? A backward way

as it is, it should still be made use of when the advanced ways are not enough to cover everything.

Some functionaries fear that the sideline production or the peasant market might revive capitalism right away. But they don't have to. If too large kitchen-gardens were given to co-operative farmers, they might be engrossed in their individual farming, neglecting collective labour, and this might foster capitalist elements. But the kitchen-gardens of our peasants are no bigger than a few dozen *pyong* each, and their individual sideline stockbreeding amounts to no more than raising a couple of pigs or a dozen or so of chickens per household. And even if a peasant grows a few stalks of tobacco on his garden plot, it will not turn into capitalist management, and even if he takes a few chickens to the peasant market and sells them at a bit high price, he will not become a capitalist.

But what would happen if the peasant market were abolished by law on the supposed ground that the sideline production as well as the peasant market had a harmful effect on the joint economy and fostered selfishness? The market place would disappear, of course, but the black-market would remain. Peasants would knock at the kitchen-doors of the others' or hang about the back streets to sell chickens or eggs they raised on the side. Then they might be caught in this act to be fined or punished otherwise by law. So, forcible abolition of the peasant market would help you to no solution, but might rather cause inconveniences to the people's life and incriminate many people senselessly.

Therefore, as long as the state cannot sufficiently produce and supply all the goods necessary for the people's life, we must strictly guard against the "Left" tendency to abolish the peasant market so hastily.

Then, when will the individual sideline production and the peasant market disappear?

Firstly, they will disappear only when the country is industrialized, technology highly developed, and there are plenty of all consumer goods required by the people. Nobody will trouble himself to go to the peasant market, when he can buy anything he wants from state-owned shops, and it will not be dealt in the peasant market either. Suppose cheap and good-quality chemical fibres gush forth in plenty from the factories. Then, people will not take the trouble to go to the market place to buy the expensive cotton; and even if some peasants want to sell it dear, it will not sell. Even under the present circumstances, goods which meet the demands of the people are not dealt in the peasant market, and they are sold at uniform prices in all parts of our country, in big cities like Hamhung as well as in remote mountain villages like Potae-ri at the foot of Mt. Baekdu all alike. When goods are plentiful and sold at uniform prices in this way, it is nothing short of a supply system.

It must be borne in mind, however, that goods which do not meet the demands of the people are dealt underhand or resold at the peasant market, even when uniform prices are fixed on them by the state. It happens that some people buy goods from

the shops and hoard them and sell them at higher prices when they are badly needed by others. Let me take the sale of eggs for example. At present we produce eggs at the chicken farms built in Pyongyang and many other places. But we do not yet produce them to such an extent as to supply enough of them to the people. So, there, too, exists a discrepancy between the state and the peasant-market prices of eggs. Taking advantage of this, there has appeared the practice of reselling eggs.

Yet, we cannot, of course, send those who have resold some eggs to prison as criminals. As for other methods of control, there is no other way than taking some technical measures such as regulating the volume of sale per buyer. Of course, such measures should also be taken, but all we can do with them is no more than composing somewhat the concentration of goods in the hands of a few people. Such measures can by no means completely do away with the reselling in the peasant market or the black-marketeering.

To solve this problem large quantities of goods should be produced. If more egg farms are built and enough eggs are turned out to fully meet the needs of the people, the black-marketing of eggs will disappear, and buying and selling in the peasant market, too, will naturally come to an end. If the state meets the demands of the people in this way and eliminates from the peasant market goods dealt there one by one, then the peasant market will no longer be needed in the end.

Secondly, the individual sideline production and peasant market will cease to exist only when co-

operative ownership is turned into ownership of the entire people.

As was pointed out in the Theses on the Socialist Rural Question, too, there will be no more buying and selling in the peasant market when we have converted co-operative property into property of the entire people by organically welding the two forms of ownership while steadily enhancing the leading role of property of the entire people over co-operative property.

One of the major reasons why there exists the peasant market at present is that there are the co-operative and the individual sideline economy side by side with the state economy.

Therefore, when the two sorts of ownership are welded into the single ownership of the entire people the individual sideline economy will vanish, due to the developed productive forces, and, consequently, the peasant market will disappear and the circulation of commodities as a whole will become unnecessary. Then, products will be distributed under a supply system. At present, we distribute rice and some other indispensable goods to the workers and office employees under a supply system. Needless to say, this supply system was introduced not because the goods were abundant, nor was it introduced under the circumstances of the single ownership of the entire people. We have the system with a view to exercising control so as to make people eat and live equally under the circumstances where goods are not plenty. The system of supply of produce we intend to introduce when the productive forces will be very highly

developed and the two forms of property will be welded into a single property of the entire people, will be different from the one we have now for control; it means a supply system aimed at providing the people more effectively with consumer goods turned out in large quantities, according to their diverse needs.

To conclude, the peasant market as well as the underhand dealings will disappear and trade will go over finally to the supply system only when the productive forces have developed to such an extent that the state can sufficiently turn out and supply all kinds of goods required by the people and co-operative ownership has grown into ownership of the entire people.

Printed in the Democratic People's Republic of Korea